

# Legacy Livestock™

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## COMMODITY UPDATE

QUARTER 1 - 2025



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# CATTLE

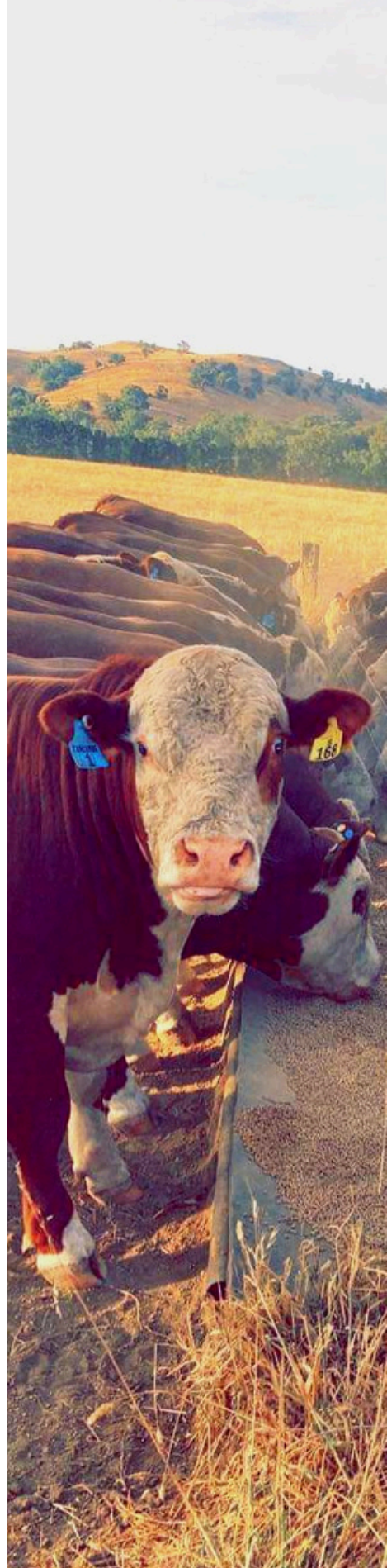
Meat & Livestock Australia's (MLA) latest outlook has revised the 2025 cattle herd estimate upward by 1.9%, bringing it to 30.1 million head, compared to 29.6 million head projected in September 2024. This suggests that the decline in herd numbers is progressing at a slower rate than initially expected.

Looking ahead, the 2026 herd estimate has also been revised higher, now anticipated at 29.2 million head, an increase of 1.8% from the previous forecast of 28.7 million head. However, the downward trend is expected to continue into 2027, with the herd projected to fall further to 28.8 million head. Despite the moderated decline in herd size, MLA has increased its slaughter forecasts for the coming years: 2025: Projected slaughter has been revised up 1.8% to 8.5 million head (from 8.4 million head previously). 2026: Slaughter is now expected to reach 8.1 million head, a 1.9% increase from the prior estimate of 8 million head. 2027: A further reduction is forecast, with 7.9 million head expected to be processed.

Although it seems somewhat counterintuitive for slaughter projections to be revised higher while herd estimates are also increasing, this could suggest updated MLA surveying/analysis practices have underpinned this subtle adjustment and/or beef producers are being more productive. Overall, the latest MLA update suggests a more gradual decline in herd size than initially forecast, but still a continuation of herd contraction into 2027. The upward revisions in slaughter estimates point to ongoing liquidation pressures, as on-farm animal husbandry/genetic and breeding methodology improvements benefit the efficiency of the Australian beef sector.

In early 2025, domestic cattle prices continued to climb, with a 2.7% increase recorded from February to March. Feeder steers led the surge, jumping 8.1%, followed by more modest gains in heavy steers (2.2%) and young cattle (0.4%), while processor cow prices stayed flat. This upward trend signals growing confidence among producers, particularly in the north, who may be preparing for herd rebuilding following recent rain. However, the price rise has added pressure on beef processors already grappling with tight margins.

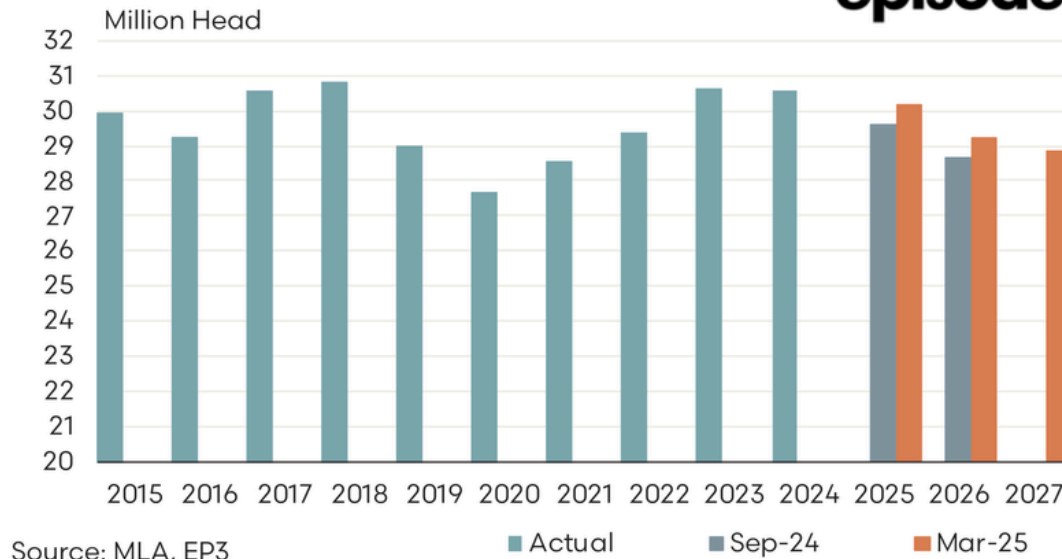
Export markets offered mixed support. While beef exports to the USA rose 5.7% and Japan improved by 1.2%, weaker prices in South Korea (-3.0%) and China (-5.3%) offset these gains, leaving average export prices mostly flat. Domestic retail beef prices in late 2024 lifted only 0.8%, and processing costs rose slightly by 0.2%. As a result, the BPTC index, which tracks beef processor trading conditions, slipped from 70% in February to 65% in March, with a Q1 2025 average of 66% which is still above average but trending downward under rising cost pressures.





## Cattle Herd Estimates

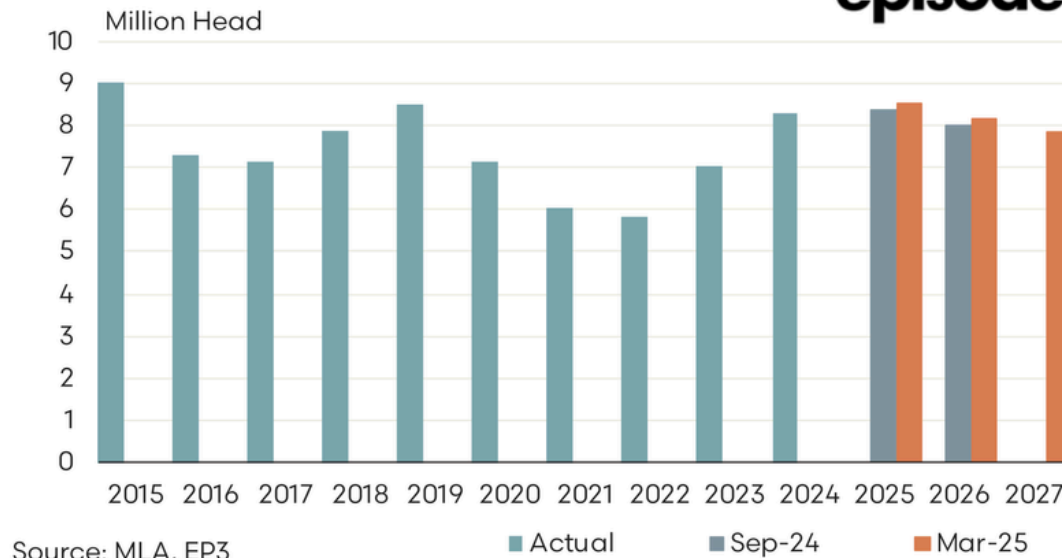
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MLA's March 2025 cattle industry projections continue to forecast a herd decline to 2027, but at a slower pace than expected from earlier forecasts.

## Cattle Slaughter Estimates

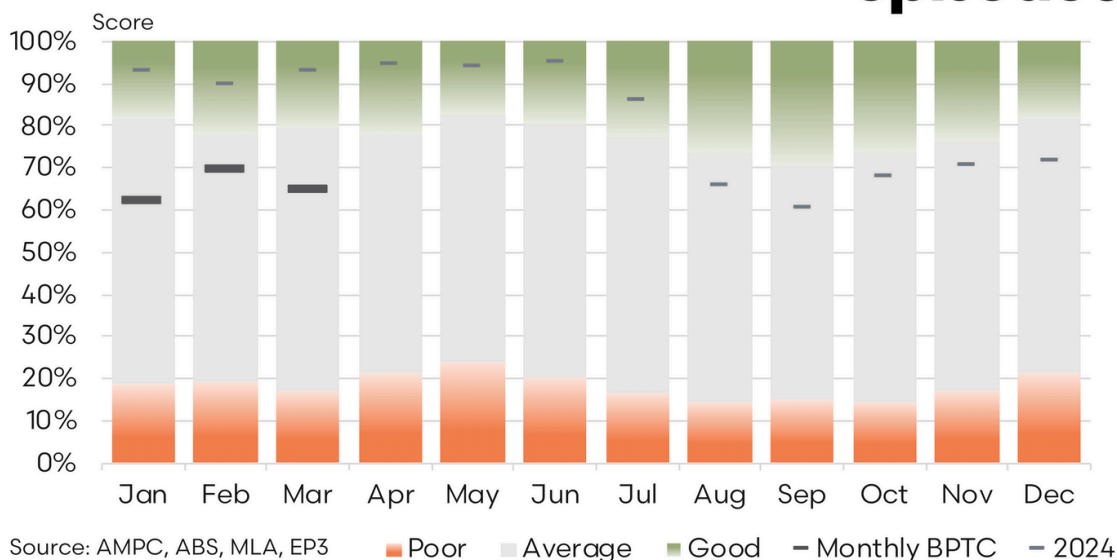
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In line with a reduced herd the annual cattle slaughter over the next few years is anticipated to ease, but heavier average carcass weights will keep beef production firm.

## Beef Processor Trading Conditions Scorecard

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Beef Processor Trading Conditions (BPTC) index begins 2025 at above average levels, but higher cattle input costs and a nervous export sector has shaved some of the processor benefits seen last year.

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# CATTLE

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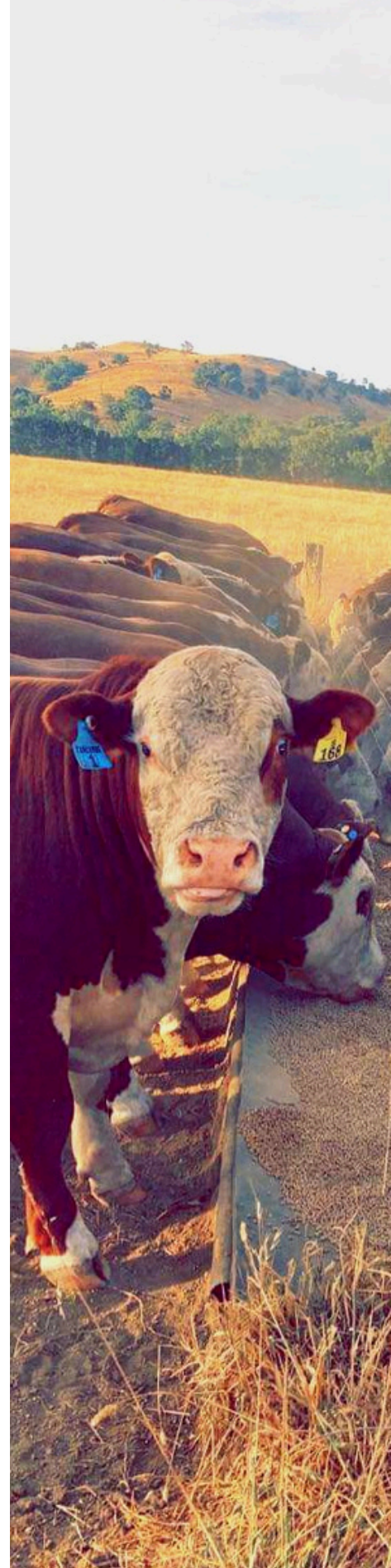
Despite ongoing concerns over the tariff shenanigans of the Trump administration there is still much positive news on the Aussie beef export front. Three of the top four beef trade destinations are running trade volumes above average levels and despite a slight easing in the trade over March 2025 the first quarter of the year was a promising start. Total Aussie beef exports saw 310,974 tonnes shipped for the first quarter of 2025. This is the strongest Q1 beef trade volumes on record and represents trade flows that are 13% above the Q1 levels seen in 2024. Indeed, compared to the Q1 average trade volumes seen over the last five years the current export flows are running 36% stronger.

**USA** – Beef flows to the USA over Q1, 2025 reached 92,060 tonnes, which is the strongest start to the season since Q1, 2015. Compared to last year the Q1 flows are running 35% higher and a comparison to the five-year average volumes for Q1 demonstrate the strong turnaround in US demand for Aussie beef seen in the last few years with the current volumes sitting 114% above the five-year Q1 average volumes. A 10% tariff should do little to quell the current US appetite for Australian beef, particularly given their tight cattle numbers presently and high domestic prices for livestock and beef.

**China** – A resurgent China has seen Q1 beef imports from Australia reach 56,544 tonnes over the quarter. Like the USA this is the strongest start to the year on record for Aussie beef export flows to China beating the previous record set in 2019 by a mere 0.8% – still a record is a record. Compared to 2024 the current flows are 22% firmer and sit 31% above the five-year average flows for Q1.

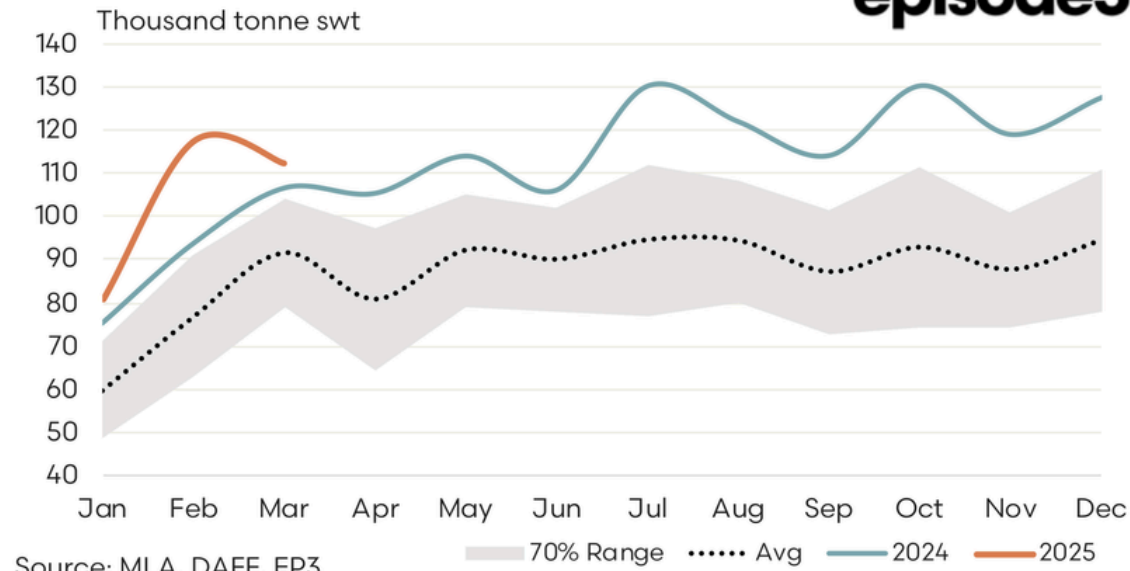
**Japan** – Beef trade to Japan is the only dull spot in the top four with current Q1 trade volumes sitting 11% under the levels exported during the first quarter of 2024. There was 54,639 tonnes reported shipped to Japan over Q1, 2025 a mere 1% under the Q1 average volumes, based on the last five years of the trade. Japanese consumers remain trapped in a cost of living crisis and continue to swap higher priced beef for cheaper alternatives or choose to consume reduced volumes in an attempt to keep their grocery costs under control.

**South Korea** – Just like China and the USA, the Q1 beef trade volumes to South Korea from Australia managed to score a record Q1 peak. The first quarter of 2025 saw 44,699 tonnes shipped to South Korea, beating the previous Q1 record high set in 2022 by 3%. Compared to Q1, 2024 the current South Korean demand for Aussie beef is 10% stronger and sits 18% above the Q1 average trend, based on the last five years of the trade.



## Beef Exports - Total

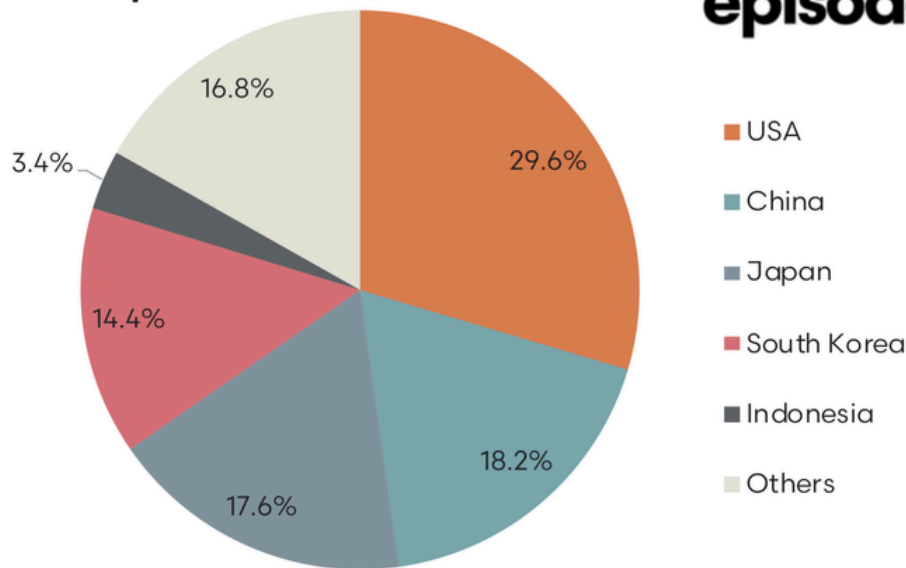
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Total Aussie beef exports saw 310,974 tonnes shipped for the first quarter of 2025. This is the strongest Q1 beef trade volumes on record and represents trade flows that are 13% above the Q1 levels seen in 2024.

## Beef Exports - Top Destinations 2025

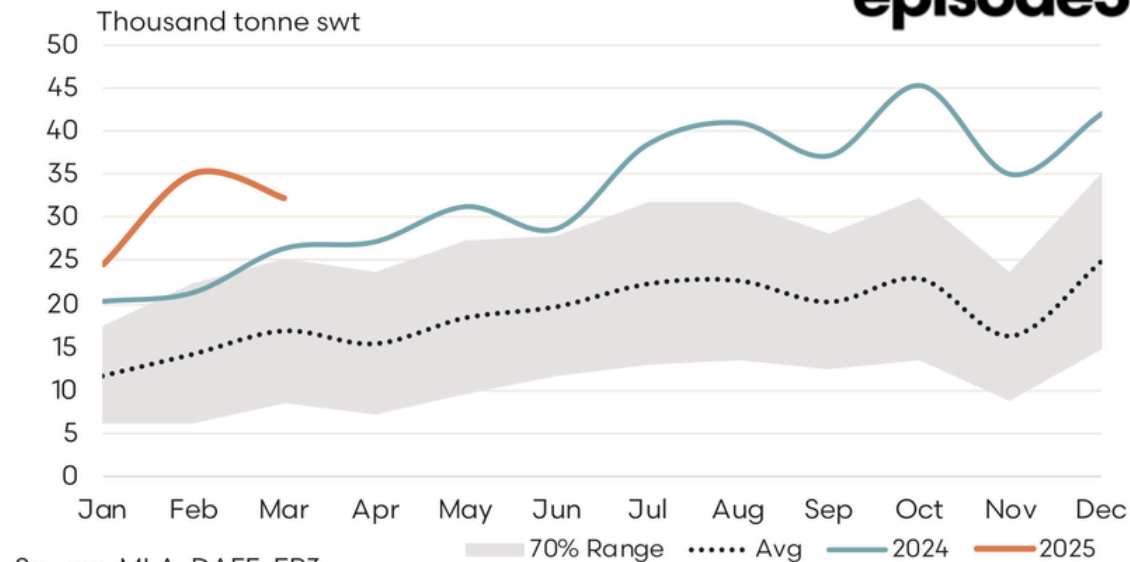
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The USA remain top trade destination for Australian beef with nearly 30% of the export trade. China sits in second place with a little over 18% of the trade and Japan are snapping at their heels in third place on 17.6%. Meanwhile, South Korea round out the top four spots on 14.4%.

## Beef Exports - USA

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Beef flows to the USA over Q1 are at record levels. Compared to 5-year averages the current Q1 volumes are 114% stronger. A 10% tariff should do little to quell the current US appetite for Australian beef.

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# SHEEP

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Meat & Livestock Australia (MLA) sheep flock estimates have been adjusted downward from earlier expectations. MLA's revised estimate for the 2025 sheep flock is now 73.2 million head, representing a reduction of around 4.8% from the September 2024 forecast of approximately 76.9 million head. For 2026, projections indicate further reductions, now forecast at 71.9 million head—a decrease of around 2.8% from September's forecast of 74.0 million. However, a modest recovery is anticipated for 2027, with the flock expected to slightly rebound to 74.1 million head.

Driving the adjustments to the flock size estimates are revisions to the projected slaughter numbers for both lambs and sheep, reflecting changing market conditions and industry practices. Lamb slaughter projections received minor downward revisions. For 2025, lamb slaughter has been slightly revised down by 0.4% from the September forecast, now standing at 26.2 million head, compared to the previous estimate of 26.3 million. In 2026, lamb slaughter projections have similarly been adjusted downward by 0.6%, from 25.5 million head to 25.3 million head.

The extended outlook for lamb slaughter shows more stability, suggesting steady demand and supply dynamics. By 2027, lamb slaughter is projected to stabilise near 25.5 million head, reflecting a modest decline year-on-year but aligning closely with earlier MLA forecasts. However, far more significant were the revisions made to the sheep slaughter forecasts. MLA's March 2025 update substantially reduced sheep slaughter expectations compared to their September 2024 outlook. Sheep slaughter for 2025 is now projected at 9.8 million head, representing a considerable decrease of 13.4% from the previous forecast of 11.3 million head. This notable revision signals a change in producers' willingness or necessity to cull ewes and wethers, potentially influenced by seasonal conditions, feed availability, and altered flock rebuilding intentions.

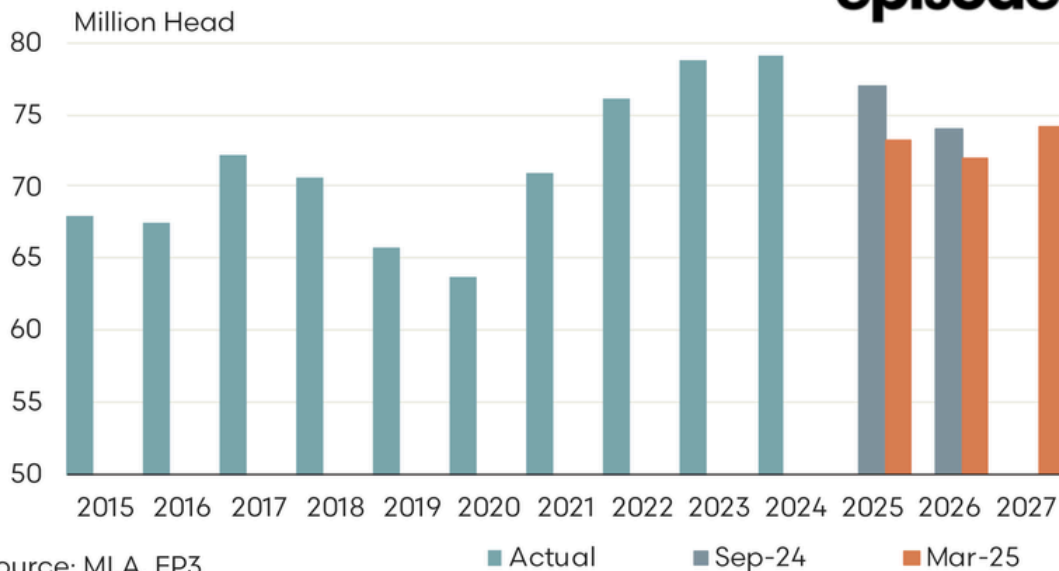
The downward revisions continue into 2026. Sheep slaughter numbers have been adjusted downwards by 9.6%, now projected at 10.0 million head compared to the previous outlook of 11.1 million head. In 2027, MLA forecasts sheep slaughter at approximately 10.3 million head.

Despite downward revisions, sheep slaughter volumes remain historically high compared to previous years. MLA's latest update indicates a period of substantial, but moderated sheep turnoff, which may reflect producers' responding strategically to market signals and pasture conditions.



## Sheep Flock Estimates

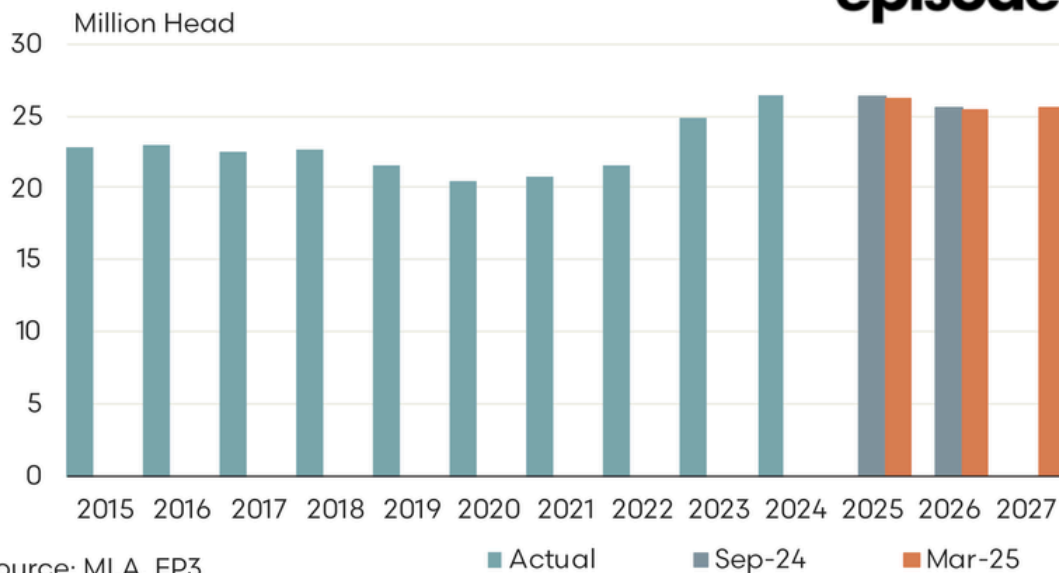
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## Lamb Slaughter Estimates

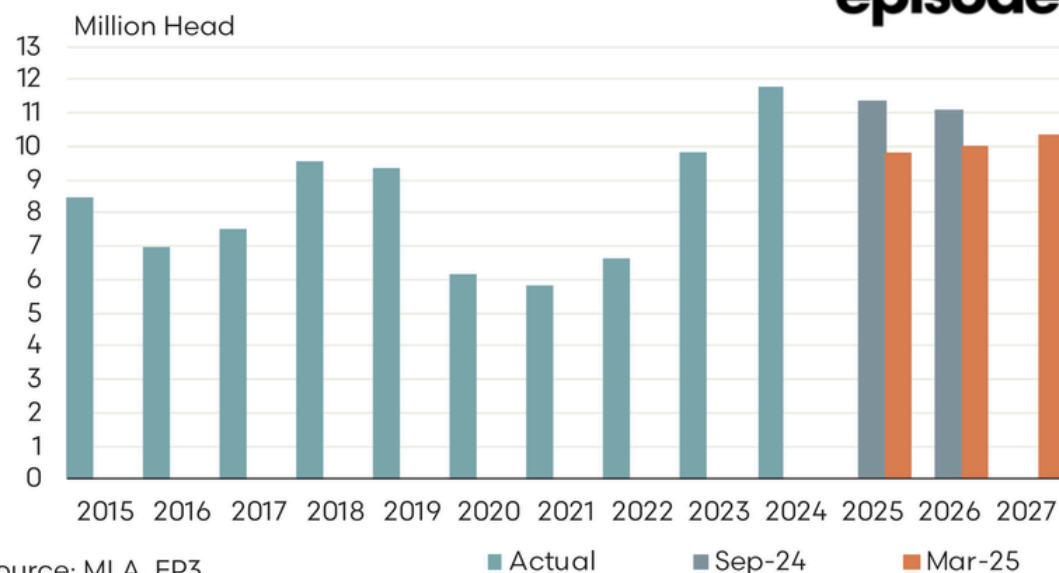
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## Sheep Slaughter Estimates

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# SHEEP

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Early 2025 has brought cautious optimism for Australia's sheep processing industry, following a particularly difficult finish in late 2024. The Sheep Processor Trading Conditions (SPTC) Index, a key barometer of profitability and economic conditions within the sheep processing sector, has begun to show early signs of recovery. After concluding December 2024 at a concerningly low level of just 13%, January 2025 saw the index improve to 29%, followed by a further increase to 38% in February. This improvement has nudged the annual average so far for 2025 up to 34%, suggesting conditions are steadily moving away from the severe pressure processors experienced in late 2024.

However, placing these figures into broader context reveals that trading conditions remain somewhat subdued compared to early 2024. At this point last year, processors were experiencing more robust conditions, with the index peaking notably higher early in the year (for example, reaching 70% in March 2024).

To interpret the significance of these numbers, it's helpful to view the SPTC Index as akin to a rainfall decile gauge: a score near 90% signals conditions are thriving, with strong margins and profitability, similar to plentiful rainfall in agriculture. In contrast, scores closer to 10-20% represent tight and challenging conditions, comparable to severe drought. Thus, while recent improvements from 13% to 38% represent welcome relief, conditions remain relatively fragile, and caution among processors continues.

March 2025 saw a sharp downturn in sheep meat exports (lamb & mutton exports combined) from Australia to the USA. Thankfully for the Australian sheep meat sector other trade destinations have picked up some of the slack, so total export volumes saw steady gains in volumes as the first quarter of 2025 progressed. Since the start of the season total exports lifted from nearly 44,000 tonne to 56,000 tonnes and for the entire quarter there was 152,292 tonnes of Aussie sheep meat shipped offshore. This represents a 5% increase on the volumes exported during Q1, 2024 and 33% stronger than the Q1 average for the last five years of the trade.

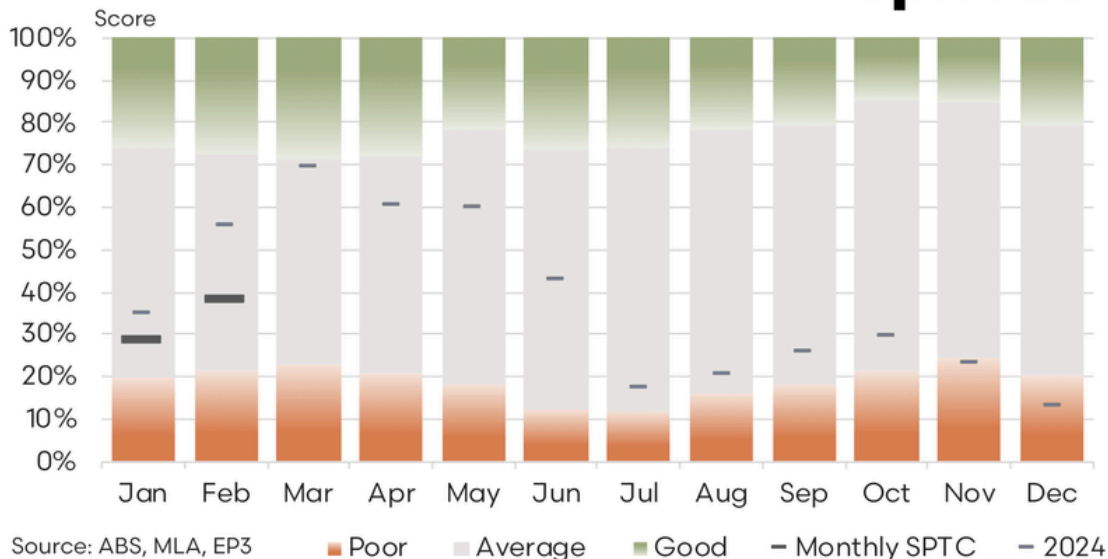
In Q1 2025, Australian sheep meat exports to China reached 36,336 tonnes swt, up 13% from the same period in 2024 and 26% above the five-year seasonal average, placing volumes near the top of the typical range. In contrast, exports to the USA totalled 23,793 tonnes, down 9% year-on-year due to a sharp 25% drop in March amid uncertainty over a looming April tariff announcement from the Trump administration. Despite the decline, US volumes remained 9% above the five-year Q1 average.





## Sheep Processor Trading Conditions Scorecard

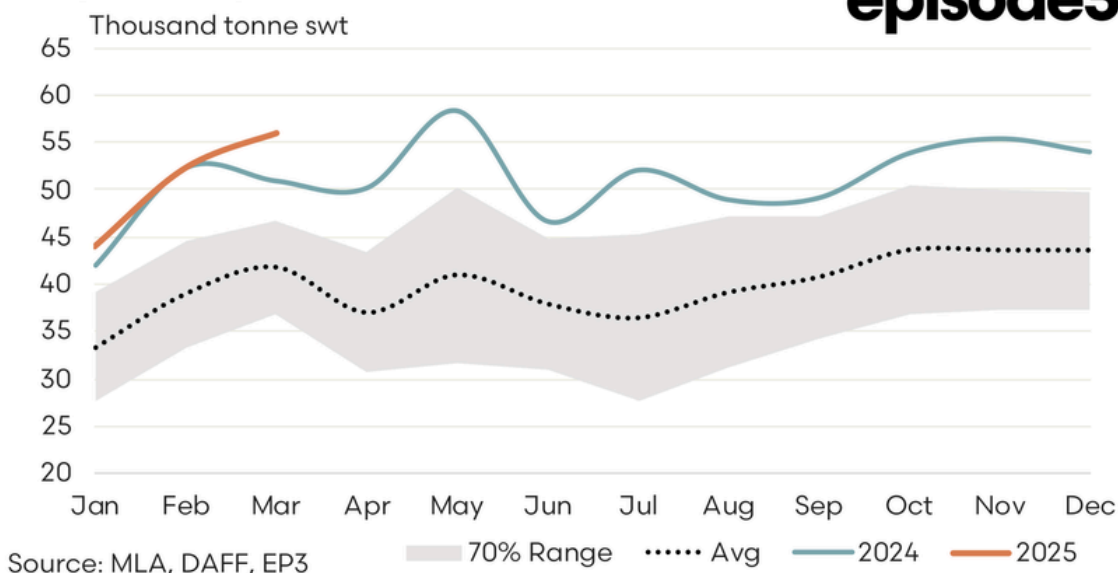
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After a tough end to 2025 the Sheep Processor Trading Conditions (SPTC) index shows some improvement over January and February.

## Sheep Meat Exports - Total

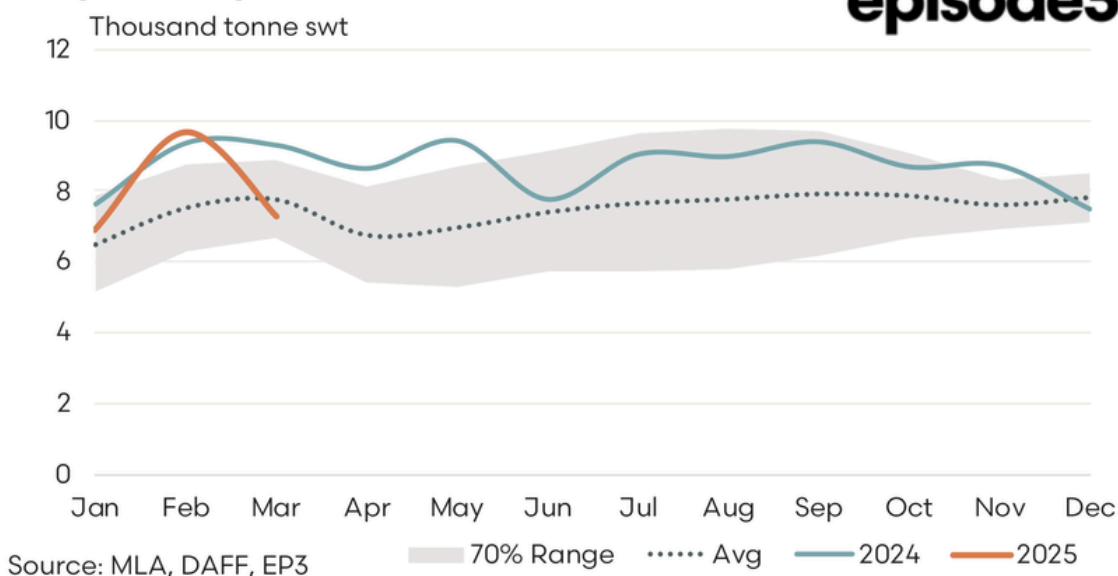
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## Sheep Meat Exports - USA

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Uncertainty about the impending April tariff announcement from the Trump administration saw sheep meat exports during March take a bit of a slide, dropping by nearly 25% over the final month of Q1.

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# WOOL

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Australia may have avoided the brunt of the US's new 'Liberation Day' tariffs, being hit with only the minimum 10%, but the indirect consequences are proving more significant, especially through China. With China currently facing a 125% tariff on all goods entering the US, its export-driven industries are under pressure, and that has flow-on effects for Australia. Much of Australia's wool, along with other commodities like beef and minerals, is exported to China for processing before being incorporated into products sold globally, including to the US. As Chinese factories face reduced demand from the US, they in turn scale back purchases from Australian suppliers, weakening demand for Australian wool.

This downturn is compounded by China's broader economic slowdown. Weaker growth, rising uncertainty, and collapsing consumer confidence, exemplified by the closure of nearly 3 million restaurants in 2024, have all contributed to reduced appetite for premium Australian exports. Wool, particularly fine wool used in higher-end garments, is vulnerable as Chinese consumers cut back on discretionary spending. While Australia may not be a direct target of US tariffs, its deep reliance on Chinese demand for wool and other key exports leaves it highly exposed to the ripple effects of global trade tensions.

In the first quarter of 2025, the Australian wool market showed early signs of recovery, buoyed by tighter supply and a favourable currency. The AWEX Eastern Market Indicator (EMI) rose steadily across the quarter, lifting 23 cents in February to reach 1,215c/kg, and continuing its upward momentum through March to close at 1,245c/kg, its highest level since January 2024. Medium to broad micron wools, along with finer microns between 18–20, saw solid gains, aided by reduced volumes and stronger buyer interest.

However, Q1 was not without major challenges for producers. South Australia, Victoria, and Tasmania recorded some of their driest March conditions in decades, adding stress to already dry paddocks and raising concerns about autumn pasture growth. These contrasting climatic extremes have contributed to tightening supply across the board, further underpinning recent price resilience in the market.

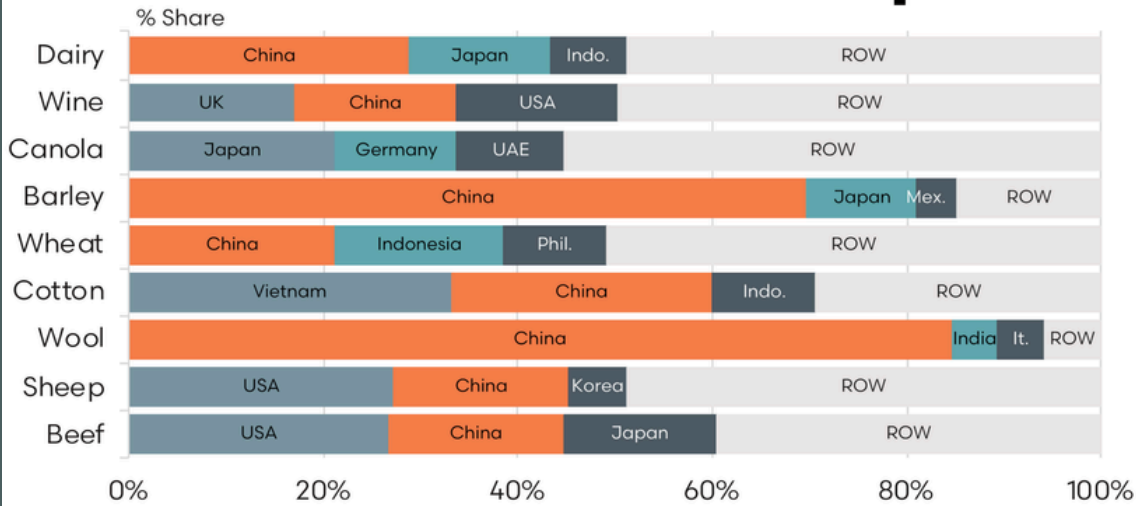
Despite these setbacks, the wool market's performance over Q1 2025 has been promising, particularly when compared to the subdued conditions of the previous year. Eyes now focus on the on again/off again trade tariff saga in the USA and the impacts upon the Chinese economy across the longer term given a Trump regime seemingly keen on targeting China.





## Australian Exports - Top Destinations

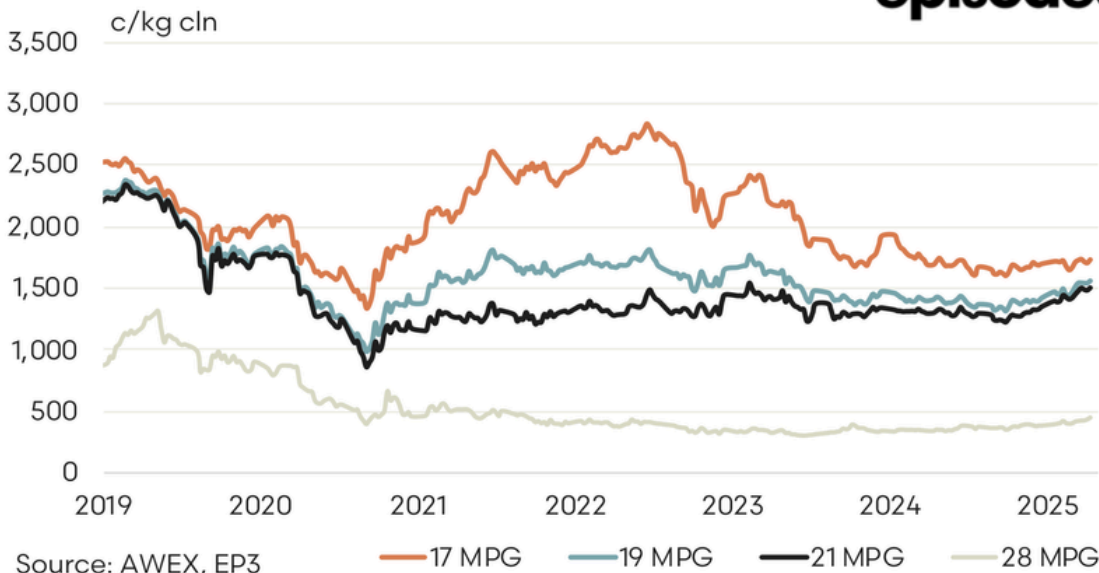
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Australian reliance on a strong Chinese economy is evident in the high proportion of agricultural exports shipped to the "People's Republic" - especially for wool.

## Southern MPG

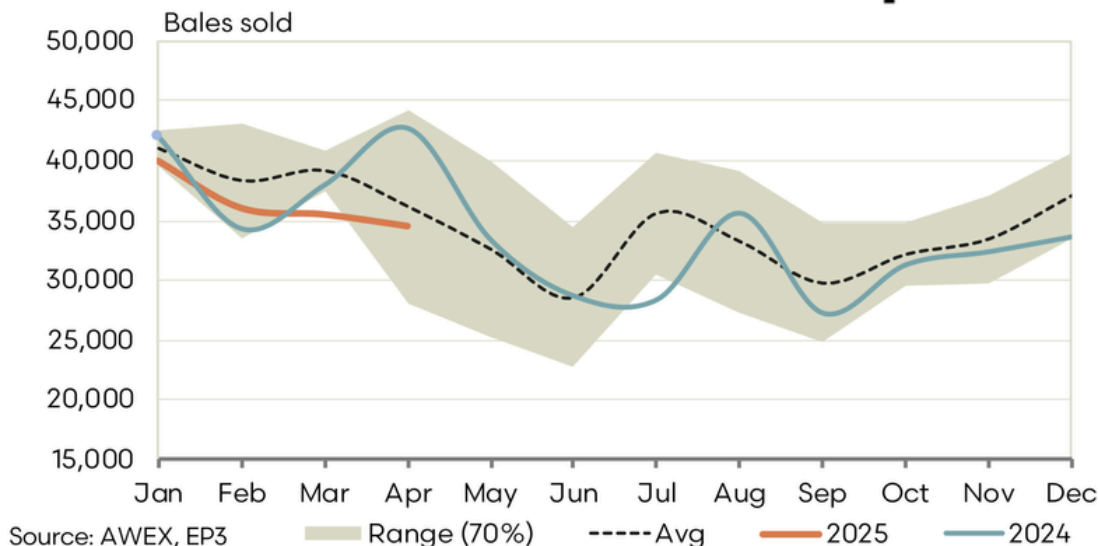
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Some positive support for wool prices have been seen over the first quarter of 2025, but trade concerns linger and the dark cloud of a faltering Chinese economy is a concern.

## Wool - Bales Sold (Weekly Average)

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Wool bales sold at auction have started the 2025 selling season at levels below the average seasonal trend. Tighter supply has supported prices thus far.

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# CONTACT US

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